



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



Mongolia Compact

AS OF JUNE 2013

COMPACT GOAL

The Mongolia Compact directs strategic investments to increase economic activity through secure and registered land titles in urban areas, sustainable utilization and management of rangelands in peri-urban areas, and improved vocational and technical training. The Compact also makes investments to help the Mongolian people become healthier and more productive as they enter the marketplace, to improve urban air quality by increasing the adoption of energy efficient products and homes in the ger* districts of Ulaanbaatar and support the development of renewable energy, and to improve the road in the critical north-south economic corridor that stretches from Russia to China through Mongolia.

COMPACT AT A GLANCE

| | |
|--|----------------------|
| Compact Signed | 10-22-2007 |
| Entry Into Force | 09-17-2008 |
| Compact End Date | 09-17-2013 |
| Compact Total | \$284,894,187 |
| Amount Committed | \$263,822,732 |
| Amount Expended | \$216,111,033 |
| Estimated Program Beneficiaries | 2,057,532 |
| Estimated Increase in Household Income | \$328,352,000 |

% OF TOTAL COMPACT BUDGET (USD MILLIONS)

| | | |
|------------|----------------------------------|---------------|
| 10% | Property Rights | \$28.7 |
| 15% | Health Project | \$42.0 |
| 18% | Vocational Education | \$50.1 |
| 15% | Energy and Environment | \$41.5 |
| 30% | North-South Road Project | \$84.9 |
| 10% | Program Administration | \$29.3 |
| 3% | Monitoring and Evaluation | \$7.7 |



■ Project Preparation

■ Project Implementation

Property Rights

PROJECT COST

\$28,777,619

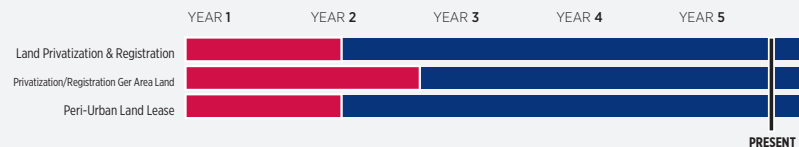
TOTAL CONTRACT COMMITMENTS

\$28,263,073

TOTAL PROJECT EXPENDITURES¹

\$24,293,451

The urban component of this project is improving Mongolia's property registration system and helping poor households obtain title to land in urban "ger" districts. The peri-urban component is facilitating the leasing of pastureland near cities to groups of herders and investing in infrastructure and training to improve livestock productivity and herder incomes.



Projected Long-Term Results (Up to 20 years)

ESTIMATED BENEFICIARIES

102,000

MCC currently estimates that 50-60% of this beneficiary target will be reached.

ESTIMATED INCREASE IN HOUSEHOLD INCOME

\$13,891,974

The estimated increase does not count people who may benefit from their existing property rights being made more secure and usable through the project's improvements in the property registration system. This may partially offset the fact that fewer beneficiaries will be reached.

PROJECTED RESULTS BY END OF COMPACT

The urban activity is expected to increase access to loans and property investment for project households. In addition, the project aims to streamline business registration processes and reduce the time and cost of property registration. The peri-urban activity is expected to improve both the quality of the rangeland and agricultural productivity.

PROGRESS TO DATE

Urban: Almost 1,500 stakeholders have been trained, 17,000 households have received land titles to their "hashaa" plots, mapping capacity has been strengthened, and the property registration system has been improved. Peri-Urban: Nearly 390 herder groups have signed pasture leases, over 5,000 herders and government officials have been trained, and 340 wells have been commissioned for operation on the leases.

PROJECT ACHIEVEMENTS

General: Stakeholders continue to gain knowledge and understanding about their rights to land. Urban: The capacity of property registration offices is being strengthened, which will enable them to register land transactions more efficiently and accurately. Peri-urban: Herder families now have secure pasture use rights until 2026, and have been trained on how to use the pasture in a sustainable manner to increase their incomes.

| Health Project | PROJECT COST | TOTAL CONTRACT COMMITMENTS | TOTAL PROJECT EXPENDITURES¹ |
|---|---|--|---|
| | \$42,045,259 | \$39,510,619 | \$31,725,167 |
| The project seeks to strengthen the national program for prevention, early diagnosis, and management of non-communicable diseases/injuries (NCDI). It addresses major causes and risks of NCDIs, which cause premature adult death, disability and affect labor force productivity and the economic well-being of Mongolians. | <div><div>YEAR 1</div><div>YEAR 2</div><div>YEAR 3</div><div>YEAR 4</div><div>YEAR 5</div></div> <div><div>NCDI Capacity Building</div><div>NCDI Prevention</div><div>NCDI Detection</div><div>NCDI Management</div></div> <div>PRESENT</div> | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Projected Long-Term Results (Up to 20 years) | | | |
| ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | PROJECTED RESULTS BY END OF COMPACT | PROJECT ACHIEVEMENTS |
| 1,727,000 | \$48,039,000 | <p>The project is expected to reduce the prevalence of high salt intake, high blood sugar levels, and hypertension in the general population. The project also supports an increased focus on treatment of cardiovascular disease, diabetes, and cervical and breast cancer.</p> | <p>Project funding is supporting a hospital with equipment to detect and treat strokes and myocardial infarctions. In total, the staff vaccinated 9,111 girls age 11-15 with three doses of the HPV vaccine in a national vaccination campaign, reaching 65% of the target population. Cancer recall registry and recall system are currently in the early phases of implementation and registry specialists to operate the systems are in place.</p> |

| Vocational Education | PROJECT COST | TOTAL CONTRACT COMMITMENTS | TOTAL PROJECT EXPENDITURES¹ |
|--|--|--|--|
| | \$50,197,859 | \$47,288,108 | \$44,106,552 |
| The project aims to improve access and quality in the vocational education system by supporting reforms to Technical and Vocational Education and Training (TVET) policy and operational framework, professional development programs for TVET instructors, the establishment of a labor market information system, and the provision of essential equipment to select institutions. | <div><div>YEAR 1</div><div>YEAR 2</div><div>YEAR 3</div><div>YEAR 4</div><div>YEAR 5</div></div> <div><div>Reforms to TVET Policy & Operational Framework</div><div>Skills, Standards & Competencies</div><div>Competency Based Training System</div><div>Career Guidance System</div><div>Improvement of Learning Environments</div></div> <div>PRESENT</div> | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Projected Long-Term Results (Up to 20 years) | | | |
| ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | PROJECTED RESULTS BY END OF COMPACT | PROJECT ACHIEVEMENTS |
| 170,000 | \$55,948,000 | <p>The project is expected to: 1) upgrade workshops and equip 15 TVET schools; 2) establish 3 Centers of Excellence in mining, nursing, and construction; 3) develop competency based curricula and train instructors; 4) increase annual salaries for students, particularly for those attending the Centers of Excellence; and 5) result in a higher employment rate for new graduates of MCC-supported schools.</p> | <p>TVET reform law modified to incorporate roles/responsibilities of newly established quality assurance agencies. Vocational Education Training and Research Facilitation Center (donor coordination committee) established. Memorandums of Understanding signed between Mongolia Centers of Excellence and Australian schools to support quality improvement efforts post-Compact. Donor support mobilized to continue sector support.</p> |

| Energy and Environment | PROJECT COST | TOTAL CONTRACT COMMITMENTS | TOTAL PROJECT EXPENDITURES [†] | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|---------------------|---|---------|--|--|--------|--------|--------|--------|--------|--|---------------------------------------|--|--|--|--|--|--|---------------|--|--|--|--|--|---------------------------|--|--|--|--|--|--|--|--|--|--|--|---------|
| | \$41,518,019 | \$39,877,446 | \$40,057,602 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The project aims to reduce air pollution in the capital city through the provision of financial incentives for ger district residents to adopt household energy efficiency and lower-emission technologies; and through ancillary network upgrades and limited tariff subsidy in support of the first on-grid commercial wind farm in Mongolia.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table><tr><td>ESTIMATED BENEFICIARIES</td><td>ESTIMATED INCREASE IN HOUSEHOLD INCOME</td></tr><tr><td>339,000</td><td>\$71,539,000</td></tr></table> | ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | 339,000 | \$71,539,000 | <table><tr><td></td><td>YEAR 1</td><td>YEAR 2</td><td>YEAR 3</td><td>YEAR 4</td><td>YEAR 5</td><td></td></tr><tr><td>Energy Efficiency Innovation Facility</td><td colspan="2"></td><td></td><td colspan="2"></td><td rowspan="3"></td></tr><tr><td>Wind Activity</td><td colspan="2"></td><td></td><td colspan="2"></td></tr><tr><td>Public Awareness Activity</td><td colspan="2"></td><td></td><td colspan="2"></td></tr><tr><td></td><td colspan="5"></td><td>PRESENT</td></tr></table> | | | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | Energy Efficiency Innovation Facility | | | | | | | Wind Activity | | | | | | Public Awareness Activity | | | | | | | | | | | | PRESENT |
| | ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 339,000 | \$71,539,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Energy Efficiency Innovation Facility | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Wind Activity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Public Awareness Activity | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | PRESENT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | PROJECTED RESULTS BY END OF COMPACT | PROGRESS TO DATE | PROJECT ACHIEVEMENTS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>The stove subsidy activity is expected to lead to a 57% reduction in particulate matter 10 concentrations and a 15% reduction in household spending on fuel. The wind park activity is expected to result in the production of 116 million kwh.</p> | <p>Sales of energy efficient products ended at the end of November 2012. During the spring, support for a limited number of energy efficient homes continued and a second round of small competitive grants was awarded for greening and air quality research activities. Installation of a dispatching system training simulator and dispatcher training to support the introduction of wind power into the national grid are nearing completion.</p> | <p>Subsidies have been distributed for over 21,000 ger insulation sets, over 98,000 stoves, over 5,000 vestibules, and 100 energy efficient homes. 15 heat only boilers at 10 sites throughout Ulaanbaatar have been replaced. More than 30 small grants have been awarded for greening and air quality research. The upgrade of the Nalaikh substation and the installation of a fiber optic cable have been completed.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| North-South Road Project | PROJECT COST | TOTAL CONTRACT COMMITMENTS | TOTAL PROJECT EXPENDITURES [†] | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|----------------------|--|---------|--|--|--------|--------|--------|--------|--------|--|----------------------|--|--|--|--|--|--|----------------------------|--|--|--|--|--|----------------------|--|--|--|--|--|--|--|--|--|--|--|---------|
| | \$84,961,586 | \$79,726,181 | \$43,506,460 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The project is aimed at providing more efficient transport for trade and access to services by constructing 176.4 km of all-weather road from Choir to Sainshand.</p> <p>Projected Long-Term Results (Up to 20 years)</p> <table><tr><td>ESTIMATED BENEFICIARIES</td><td>ESTIMATED INCREASE IN HOUSEHOLD INCOME</td></tr><tr><td>154,000</td><td>\$114,205,000</td></tr></table> | ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | 154,000 | \$114,205,000 | <table><tr><td></td><td>YEAR 1</td><td>YEAR 2</td><td>YEAR 3</td><td>YEAR 4</td><td>YEAR 5</td><td></td></tr><tr><td>Choir-Sainshand Road</td><td colspan="2"></td><td></td><td colspan="2"></td><td rowspan="3"></td></tr><tr><td>Bayanzurkh Bridge and Road</td><td colspan="2"></td><td></td><td colspan="2"></td></tr><tr><td>Technical Assistance</td><td colspan="2"></td><td></td><td colspan="2"></td></tr><tr><td></td><td colspan="5"></td><td>PRESENT</td></tr></table> | | | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | Choir-Sainshand Road | | | | | | | Bayanzurkh Bridge and Road | | | | | | Technical Assistance | | | | | | | | | | | | PRESENT |
| | ESTIMATED BENEFICIARIES | ESTIMATED INCREASE IN HOUSEHOLD INCOME | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 154,000 | \$114,205,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Choir-Sainshand Road | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bayanzurkh Bridge and Road | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Technical Assistance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | PRESENT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | PROJECTED RESULTS BY END OF COMPACT | PROGRESS TO DATE | PROJECT ACHIEVEMENTS | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>The North-South Road project is expected to lead to an increase in average annual daily traffic in addition to a significant decrease in travel time from Choir to Sainshand.</p> | <p>176.4 kilometers of the Choir-Sainshand road is under works contracts. At the end of June 2013, the Lot 1 and Lot 2 contractors were approximately 82% and 90% complete overall. The contractors are fully mobilized and expected to reach substantial completion in August 2013.</p> | <p>Construction is ongoing and expected to be substantially completed on both contracts before the end of the Compact.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

On April 27, 2009, the Government of Mongolia notified MCC that it intended to withdraw the rail project from the Compact. In January 2010, approximately \$188 million from the rail project was reallocated for the expansion of the Health, Property Rights, and Vocational Education projects, and the addition of the new North-South Road and Energy and Environment projects.

* "Ger" literally means home in Mongolian and refers to the round, felt tents that have been part of the traditional Mongolian nomadic lifestyle for centuries.

[†]Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.

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